NORTH DAKOTA
GRAIN GROWERS

Working for you, the producer!

July 31, 2006

Testimony before the House Agriculture Committee

As presented by North Dakota Grain Growers Association President Mike Martin

Wall, SD

NDGGA provides a voice for wheat and barley producers on domestic policy issues – such as crop insurance, disaster assistance and the Farm Bill – while serving as a source for agronomic and crop marketing education for its members.

Phone: 701.222.2216 | Toll Free: 866.871.3442 | Fax: 701.223.0018 | 4023 State Street, Suite 100, Bismarck, ND 58503

NORTH DAKOTA
GRAIN GROWERS

Working for you, the producer!

Mike Martin

Mike Martin was elected President of the North Dakota Grain Growers in January of 2006. As NDGGA President, Martin is involved in development and implementation of domestic policy recommendations, education, leadership and information for North Dakota wheat and barley producers. He currently is on the Board of directors for the National Association of Wheat Growers where he serves on the environmental committee.

Mike farms together with his wife Valerie. They are no-till producers of winter wheat, spring wheat, soybeans, corn and sunflowers on their farm located in Dickey County ND and McPherson County SD. They also operate a cattle feedlot that typically finishes 500 head per year. Martin graduated from North Dakotas State University with a degree in Agricultural Economics and worked for USDA Agricultural Statistics Service for three years prior to farming. He has been a dealer for Mycogen Seed and its predecessors for 26 years and has received numerous awards for sales achievements. He currently serves as Dickey County's representative to the North Dakota Wheat Commission and has served on his local grain elevator and church board. He and his wife are the recipients of the James River Soil Conservation District's Achievement Award for their commitment and efforts in conservation on their farm. Mike and Valerie are the parents of three daughters all of whom have graduated from or are presently attending the University of North Dakota.

NORTH DAKOTA
GRAIN GROWERS

Working for you, the producer!

July 27, 2006

Tyler Wegmeyer
U.S. House of Representatives
Committee on Agriculture
Room 1301, Longworth House Office Building
Washington, DC 20515-6001

Mr. Chairman and members of the Committee,

My name is Michael Martin. Along with my wife and daughters, I operate a diversified farm growing wheat, corn, soybeans and sunflowers. Our farm is located near Forbes, ND and our operation includes land in North Dakota and South Dakota. I currently serve as the President of the North Dakota Grain Growers Association. I thank you for this opportunity to provide testimony concerning the current Farm Bill and the upcoming 2007 Farm Bill.

I have limited my comments to the topics requested by the Committee. Also, I have made the assumption that there will be no new WTO agreement.

In preparation for my testimony, comments were solicited from three of our previous association presidents. These three were actively involved in the policy recommendations for the current Farm Bill. For the sake of brevity the comments are summarized below.

All agreed that this farm bill has worked but all agreed it needed some technical corrections.

Greg Daws who farms in northeastern North Dakota would like to see producers have the ability to lock in LDP's sooner. He felt that the southern wheat interests have taken away some of our ability to take advantage of LDP's because the market has already reacted to the southern harvest.

Bruce Freitag who farms in western North Dakota felt the basic farm bill structure is fine. However, he would like to see the disparities between crops equalized, especially in the area of loan rates and target prices. Bruce would like to see more money in the Farm Bill and he is concerned that the next Farm Bill will shift too much funding to conservation. Bruce also felt that crop insurance should be addressed; 70 percent coverage on an average crop is not enough crop insurance coverage given the increased input costs we now have.

Al Skogen who farms in southeastern North Dakota is generally happy with the Farm Bill as well. He does think that CBO miscalculated future wheat prices, which upped the projected Farm Bill costs for wheat. This in turn artificially lowered wheat target prices. He feels that the average price for wheat should be calculated on a 5 and not an 11-month average. Al also stated that upping bases cost the Farm Bill $1 billion, which came out of Target Prices. The Farm Bill was also predicated on 2-2.5 percent inflation, which has not been the case in agriculture. Al also stated that farmers are the only ones who sell wholesale, buy retail and pay the freight both ways. He finally stated that agriculture should be complimented for not spending money when it was not justified, not punished for it.

I would like to expand on Al Skogen's comments. My reference material for supporting his comments are contained in the December 2005 publication from the USDA Economic Research Service entitled 'Wheat Backgrounder'. The publication makes comparison of farms where different cropping practices are followed. These cropping practices pit 'Specialized Wheat Farms' (farms that have at least half of their total value of production from wheat in 2003) against 'Other Wheat Farms' (those with less than half of their total production from wheat in 2003). The research comparisons were based on farm data from Kansas and North Dakota.

I would like to draw your attention to a disparity in net far income shown on page 29 of the following publication.

Net farm income for Specialized Wheat Farms, 2003 at $27,507 is a whopping 58 percent lower than Other Wheat Farms, which showed a net of $65,481.

Appendix table 4

Financial characteristics of wheat farms, 2003

Item	Specialized wheat farms	Other wheat farms	All wheat farms
		Dollars per farm	
Gross value of production	80,248	265,773	219,802
Wheat value of production	59,293	27,192	35,146
		Percent	
Wheat value of production	74	10	16
		Percent per farm	
Farms receiving Government payments			
Any payments	90	92	92
Commodity payments	86	91	90
Conservation payments	25	23	24
		Dollars per farm	
Farm income statement			
Gross cash income	94,111	274,458	229,770
Livestock sales	9,017	62,894	49,544
Crop sales	51,251	150,330	125,779
Government payments	16,951	23,868	22,154

Commodity-related payments	14,596	22,637	20,645
Conservation payments	2,355	1,231	1,509
Cash expenses	70,637	203,668	170,704
Net cash farm income	23,474	70,790	59,066
Depreciation	9,535	25,557	21,587
Net farm income[1]	27,507	65,481	56,071
Farm balance sheet			
Farm assets	653,854	1,191,136	1,058,003
Farm liabilities	69,835	156,453	134,990
Farm equity	584,018	1,034,683	923,013
		Percent	
Debt/asset ratio	11	13	13
Favorable position[2]	75	69	70
		Dollars per household	
Farm household income			
Total household income	55,155	78,071	72,334
Farm-related income[3]	13,154	41,229	34,201
Off-farm income	42,001	36,842	38,133
Earned sources	31,006	24,506	26,133
Unearned sources	10,996	12,336	12,000

[1]Net farm income is net cash farm income less costs for depreciation and noncash benefits for hired workers, plus the value of the inventory change in 2003 and any nonmoney income. Nonmoney income includes the value of farm products consumed on the farm and an imputed rental value for the farm operator dwelling.
[2]Favorable position means a positive income and debt/asset ratio less than 0.40. These farms are generally considered financially stable.
[3]Farm-related income is that portion of farm income that is accrued by the farm household. Farm-related income is then adjusted to reflect any other households that share in the farm business income, and the farm earning of household members other than the farm operator.
Source: USDA/ERS, 2003 Agricultural Resource Management Survey (ARMS).

The entire report can be found at the following link.

http://www.ers.usda.gov/publications/whs/dec05/whs05K01/whs05K01.pdf

The disparity between the two wheat farm groups is quite apparent. It cannot be attributed to any one factor. However it does indicate that Direct Payment and Target Price levels for wheat need to be reevaluated in the upcoming 2007 Farm Bill.

This year, like many in the past, farmers across the nation are enduring production losses caused by extreme weather problems. Crop insurance improvements in the past have definitely helped to alleviate much of the financial loss caused by these problems. However, producers are still left with the problems of 'shallow losses'. One of the ways for producers to reduce the amount of 'shallow losses' is to 'buy up' their insurance levels. The problem with doing so is the high cost of increasing coverage above the 70 percent level. An increase in the level of subsidization from the government on coverage up to the 85 percent level could possibly be more economical than what seems to be a continual request for adhoc disaster assistance.

Mr. Chairman, my biggest concern with the future Farm Bill is the direction it takes concerning environmental policy. Many in my state have benefited from conservation programs and I personally have benefited from private funded incentives involving my no-till farming practices. What I fear, in placing greater emphasis on conservation title programs, is the tremendous cost to our Federal Treasury if all programs are fully implemented. This financial cost to a future Farm Bill may well mean that Commodity Title programs will not be adequately funded. Conservation program benefits to producers are typically capitalized into a farmer's holdings in the form of reduced land and machinery debt. As a result of this capitalization, these funds are not liquid to the producer when market factors require additional funding for cash flow needs. I feel that the Safety Net that past Farm Bills have provided may well be lost to Conservation programs. Commodity Title programs such as Loan Deficiency payments (LDP's) and Counter Cyclical Payments (CCP's) provide the Safety Net that is sorely needed by producers when negative market fluctuations and aberrations occur. They not only provide financial stability to producers, but also allow agricultural export trade and infrastructure to perform more efficiently. Also, when market prices are relatively high they can provide huge saving in actual dollars to the Federal Government. I feel that this Safety Net is the most important part of agricultural policy and should be defended, if at all possible.

Another factor I would like to touch upon today is the USDA and its many supporting agencies. We at the NDGGA have been very impressed by the willingness of the agencies such as NRCS, RMA, FSA and others to accept new ideas and interpretations that allow for better service and application of the Farm Program. We have successfully communicated to these agencies the need to focus on 'what can be done' rather than 'what can't be done'. They need to be applauded for their willingness to make changes when changes are appropriate.

In conclusion, the NDGGA offers our help in any way that can help make your job easier on this upcoming Farm Policy debate.

Mr. Chairman, thank you again for this opportunity to present testimony to the committee.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Michael Martin

Address: 4023 State Street

Telephone: 701-222-2216

Organization you represent (if any): North Dakota Grain Growers Association

1. **Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source:________ **Amount:**________

Source:________ **Amount:**________

2. **If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:**

Source: Marketing Seminar (North Central Risk Management Education Center) **Amount:** $14,000

Source: Annie's Project (RMA) **Amount:** $71,000

Please check here if this form is NOT applicable to you: ________

Signature: Michael Martin

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.